

**NATIONAL DAIRY MARKET AT A GLANCE**

**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (9/10)**  
**BUTTER:** Grade AA closed at \$1.7500. The weekly average for Grade AA is \$1.7475 (+.0542).

**CHEESE:** Barrels closed at \$1.5300 and blocks at \$1.5675. The weekly average for barrels is \$1.5319 (-.0161) and blocks, \$1.5675 (-.0045).

**NONFAT DRY MILK:** Extra Grade closed at \$0.8500 and Grade A at \$0.8500. The weekly average for both Extra Grade and Grade A is \$0.8500 (N.C.).

**BUTTER:** Many butter producers and handlers continue to question the price strength that is occurring at the CME compared to supply/demand. Churning activity over the past holiday weekend was quite strong from coast to coast. In some instances, butter/powder plants absorbed additional milk volumes that were destined for the Southeast, but were redirected late last week due to hurricane Frances. The additional production during the weekend was welcomed by most producers as butter stocks continue to lag last year at this time. Early in the week, cream demand resumed for other cream based products. Standardized cream volumes are anticipated to remain readily available as school milk bottling programs are in full swing now. Butter demand is fair at best. Retail and food service buyers are often assessing their post holiday inventories before placing orders.

**CHEESE:** The cheese market is unsettled. Cash cheese prices continue to be pressured on the Chicago Mercantile Exchange. Current cheddar and other fresh cheese supplies are not as tight as typically associated with the first half of September. Bulk cheese requirements were lower with operations closed for the holiday. Cheese production is trending lower though often output remains at higher than usual levels. Cumulative January - July 2004 cheddar cheese output, adjusting February to 28 days, total 1.650 billion pounds, up 13.2 million pounds (0.8%) from the same period in 2003. The adjusted total cheese output for the first 7 months of 2004 is 5.125 billion pounds, up 145.3 million pounds (2.9%) from the same period last year.

**FLUID MILK:** Milk production is steady throughout most of the nation. Hot and humid weather in California is deterring output in the region. The impact of Hurricane Frances in Florida is yet to be fully realized. Milk volumes were likely lost due to electricity and shipment problems during the storm. Some truckers were apparently unable to make deliveries or pick-ups as routes became impassable. Consequently, milk typically shipped from other regions of the nation into the Florida market was diverted into the most readily available manufacturing facility. Class III interest in fluid milk is generally good with plants readily taking in extra loads, especially after heavy supply movement into bottling plants for school lunch deterred milk intakes at plants over the last few weeks. Cream supplies are increasing in response to heavier bottling activity. Multiples are unchanged to lower with cream prices mostly higher as a result of price increases in the CME AA butter average compared to the week prior.

**DRY PRODUCTS:** Dry products are very lightly traded. Current manufacture trade of NDM is being hampered by excess aged CCC exchange supplies offered in the resale market. NDM production is increasing, encouraging heavier inventories and some discount offers. Buttermilk production is higher as cream skimmed from milk bottled from schools filters into churns.

Buttermilk prices are steady to lower for the light interest. Whey markets are mostly steady with some higher prices noted for the light interest. The WPC market is also steady yet resale trades continue to be reported at a discount. The lactose market is weak. Producer offering prices are reduced for the light interest.

**CCC:** For the week of September 6 - 10, CCC purchases total 2,643,321 pounds of Western NDM; 1,965,078 pounds of NDM were purchased under price support with 678,243 pounds purchased under Invitation 080 to Announcement FMP1.

**JULY DAIRY PRODUCTS HIGHLIGHTS (NASS):** Butter production was 91.5 million pounds in July, 14.3% above July 2003 but 5.6% below June 2004. American type cheese production totaled 303.3 million pounds, 1.1% below July 2003 and 2.6% below June 2004. Total cheese output (excluding cottage cheese) was 707.6 million pounds, 1.5% below July 2003 and 1.4% below June 2004. Nonfat dry milk production, for human food, totaled 134.4 million pounds, 5.1% above July 2003 but 6.5% below June 2004. Dry whey production, for human food, was 78.0 million pounds, 9.7% below July 2003 and 1.6% below June 2004. Ice cream (hard) production totaled 79.6 million gallons, 5.8% below July 2003 and 7.1% below June 2004.

**JUNE MAILBOX MILK PRICES (DAIRY PROGRAMS):** In June 2004, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$18.25 per cwt., \$.76 less than the figure for the previous month. The component tests of producer milk in June 2004 were: butterfat, 3.56%; protein, 2.96%; and other solids, 5.71%. On an individual reporting area basis, mailbox prices decreased in all reporting areas except five, and ranged from \$21.69 in Florida to \$16.47 in New Mexico. In June 2003, the Federal milk order all-area average mailbox price was \$10.84, \$7.41 lower.

**JULY FLUID MILK SALES (AMS & CDF):** During July, about 4.4 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 0.5% higher than July 2003. After adjusting for calendar composition, sales in July 2004 were 0.7% lower than July 2003. On an individual product basis, after adjusting for calendar composition, sales of reduced fat (2%) milk, low fat (1%) milk, fat-free (skim) milk, and flavored fat-reduced milk increased from July 2003, while sales of whole milk, flavored whole milk, and buttermilk decreased from a year earlier.

**DAIRY IMPACT OF HURRICANE FRANCES:** Details of the overall impact of the storm continue to evolve. Many farms sustained direct damage, including loss of some free-stall barns and cows. Some farms were forced to delay milking for over 18 hours. Lack of electricity and communication is widespread and likely to deter milk production and movement. The availability of trailers to ship milk to out-of-state facilities has been limited. As a result, at least 50 loads of milk were dumped. Shipments from farm to market are slowly resuming, but damage to infrastructure and worker shortages is reported at all levels of the supply chain, which is hampering progress. Reports indicate that feed may become in short supply in south Florida unless power is restored to feed mills. Stress levels are extremely high, for producers, processors and the animals on which they depend.

**\*\*\*\*SPECIAL THIS ISSUE\*\*\*\***

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**CHICAGO MERCANTILE EXCHANGE  
CASH TRADING**

PRODUCT	MONDAY SEPTEMBER 6	TUESDAY SEPTEMBER 7	WEDNESDAY SEPTEMBER 8	THURSDAY SEPTEMBER 9	FRIDAY SEPTEMBER 10	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	CME	\$1.5600 (N.C.)	\$1.5100 (-.0500)	\$1.5275 (+.0175)	\$1.5300 (+.0025)	(-.0300)	\$1.5319 (-.0161)
40# BLOCKS	CLOSED	\$1.5675 (-.0125)	\$1.5675 (N.C.)	\$1.5675 (N.C.)	\$1.5675 (N.C.)	(-.0125)	\$1.5675 (-.0045)
NONFAT DRY MILK							
EXTRA GRADE	NO	\$.8500 (N.C.)	\$.8500 (N.C.)	\$.8500 (N.C.)	\$.8500 (N.C.)	(N.C.)	\$.8500 (N.C.)
GRADE A	TRADING	\$.8500 (N.C.)	\$.8500 (N.C.)	\$.8500 (N.C.)	\$.8500 (N.C.)	(N.C.)	\$.8500 (N.C.)
BUTTER							
GRADE AA		----	\$1.7450 (+.0250)	----	\$1.7500 (+.0050)	(+.0300)	\$1.7475 (+.0542)

CHEESE: carload = 40,000-44,000 lbs., NONFAT DRY MILK: carlot = 42,000-45,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. \*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at [WWW.AMS.USDA.GOV/MARKETNEWS.HTM](http://WWW.AMS.USDA.GOV/MARKETNEWS.HTM)

**CHICAGO MERCANTILE EXCHANGE**

MONDAY, SEPTEMBER 6, 2004

HOLIDAY - NO TRADING

TUESDAY, SEPTEMBER 7, 2004

CHEESE — SALES: 13 CARS 40# BLOCKS: 1 @ \$1.5775, 1 @ \$1.5750, 1 @ \$1.5775, 1 @ \$1.5800, 1 @ \$1.5725, 1 @ \$1.5800, 1 @ \$1.5750, 1 @ \$1.5800, 1 @ \$1.5750, 1 @ \$1.5700, 1 @ \$1.5800, 1 @ \$1.5675, 1 @ \$1.5700; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS 40# BLOCKS: 1 @ \$1.5675, 1 @ \$1.5800  
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, SEPTEMBER 8, 2004

CHEESE — SALES: 5 CARS BARRELS: 1 @ \$1.5300, 1 @ \$1.5150, 1 @ \$1.4825, 1 @ \$1.4700, 1 @ \$1.5100; 6 CARS 40# BLOCKS: 1 @ \$1.5675, 1 @ \$1.5700, 1 @ \$1.5675, 2 @ \$1.5700, 1 @ \$1.5675; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS 40# BLOCKS: 1 @ \$1.5675, 1 @ \$1.5700  
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE  
 BUTTER — SALES: 15 CARS: 2 @ \$1.7200, 3 @ \$1.7300, 1 @ \$1.7325, 3 @ \$1.7350, 2 @ \$1.7400, 2 @ \$1.7500, 2 @ \$1.7450; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

THURSDAY, SEPTEMBER 9, 2004

CHEESE — SALES: 3 CARS BARRELS: 1 @ \$1.5200, 1 @ \$1.5225, 1 @ \$1.5275; 3 CARS 40# BLOCKS: 2 @ \$1.5650, 1 @ \$1.5675; BIDS UNFILLED: 2 CARS BARRELS @ \$1.5250; OFFERS UNCOVERED: 2 CARS 40# BLOCKS: 1 @ \$1.5675, 1 @ \$1.5800  
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, SEPTEMBER 10, 2004

CHEESE — SALES: 5 CARS BARRELS: 3 @ \$1.5300, 1 @ \$1.5275, 1 @ \$1.5300; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.5400; 1 CAR 40# BLOCKS @ \$1.5675  
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE  
 BUTTER — SALES: 15 CARS: 2 @ \$1.7450, 1 @ \$1.7475, 1 @ \$1.7450, 1 @ \$1.7475, 3 @ \$1.7450, 1 @ \$1.7475, 1 @ \$1.7450, 1 @ \$1.7475, 1 @ \$1.7450, 1 @ \$1.7475, 1 @ \$1.7500; BIDS UNFILLED: 3 CARS @ \$1.7400; OFFERS UNCOVERED: 3 CARS: 2 @ \$1.7500, 1 @ \$1.7550

**BUTTER MARKETS****JULY BUTTER PRODUCTION**

During July 2004, butter production in the United States totaled 91.5 million pounds, 14.3% more than July 2003 but 5.6% less than June 2004. The following are July to July changes for various states: CA +35.0%, NY -36.0%, PA +24.6% and WI +24.6%.

**NORTHEAST**

The market tone, from a price standpoint is firm. The price at the CME has increased six consecutive sessions for a total gain of 22.5 cents during that two-week span. From a supply/demand point of view, the market does not seem quite so firm. Demand at retail is seldom better than fair and cream supplies and churning have been heavy during the past two weeks. The Labor Day weekend saw heavier volumes of excess cream looking for churning capacity. The recent NASS "Dairy Product" report shows that July butter production was 14.3% more than a year ago. 2002 was the only year, since the early 1990's that had a larger July butter production total than 2004. Distributors have been more willing to purchase a little more butter as prices escalate, but they remain cautious. Food service orders are about steady, but they are shifting away from resort areas, back to the typical, school-year patterns. Sales of bulk butter f.o.b. East, are reported in a range of flat market to 5.5 cents over the CME price/average.

**CENTRAL**

Butter prices continue to firm as the mid-week cash price at the CME hit \$1.7450. The cash price has firmed a total of 25 cents in seven consecutive trading sessions. Traders and handlers continue to voice their concern about how high will prices go. Most still indicate that they do not foresee a significant spike in price before the end of the year. Churning activity over the past holiday weekend was active. In some instances, butter/powder plants absorbed additional milk volumes that were destined for the Southeast, but were redirected late in the week due to hurricane

Frances. Standardized cream and slow demand from Class II cream users provided sufficient volumes of cream over the holiday weekend to keep most butter plants busy. Stocks of butter continue to lag last year at this time, although many butter producers are pleased at the volume of butter that is being generated for this time of the summer. Many did not foresee churning schedules to be this positive. Butter demand is fair at best. Often, retailers and food service buyers are assessing their supply situation following the holiday weekend before placing orders. Bulk butter for spot sale is being reported in the 2 - 4 cents per pound range over various pricing basis.

**WEST**

Western contacts continue to marvel at the continued strength that the cash CME market is exhibiting. They see butter orders for fall needs as fair to good, but not exceptional. Resort areas are off their summer time heavy sales period. Restaurant demand is rated as generally good. Production of butter is heavier than anticipated and most producers are happy with that situation. Some areas of the Southwest are seeing high temperatures and some humidity hang on longer than at any other time this summer. The added stress is taking the milk supply down at a faster pace. U.S. butter production in July totals 91.5 million pounds, up 14.3% or 11.5 million pounds from a year ago. Production was down 5.5 million pounds from June or 5.6%. Cumulative output for the first seven months of the year totals 726.0 million pounds, down 9.1% or 72.4 million pounds. This works out to 2.4 million pounds less butter produced every week this year compared to last year. That equates to about a deficit of 60 loads per week in comparison. Output in the Western region in July totals 43.7 million pounds, up 20.6% from a year ago. Prices for bulk butter range from 1 to 5 cents under based on the CME with various time frames and averages.

**NASS DAIRY PRODUCT PRICES****U.S. AVERAGES AND TOTAL POUNDS**

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE			
SEPTEMBER 4	1.5737	1.5843	0.8617	1.6235	0.2155
	7,520,243	9,563,637	25,937,992	2,337,294	9,732,120

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

## CHEESE MARKETS

## NORTHEAST

Prices are generally lower and the market tone is unsettled. At the CME, cheddar prices, despite having a lower weekly average, are regaining some of the losses seen the last full week of August. Northeastern cheese output is steady to lower. Most producers are still cautious about taking too much milk at this time. Overall cheese demand is fair, but best interest is in on fresh cheeses. Distributors and buyers have no difficulty finding desired volumes. However, the increasing prices have stimulated some additional buying interest. Retail demand is up slightly as schools are getting back in session in most states, but high prices continue to meet some resistance. Food service orders are or have shifted back to the urban areas, away from resort areas.

WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.6425-2.1575
Cheddar Single Daisies	:	1.6000-2.0750
Cheddar 40# Block	:	1.7150-1.9750
Process 5# Loaf	:	1.7575-1.9650
Process 5# Sliced	:	1.7775-2.0175
Muenster	:	1.8150-2.0175
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

## MIDWEST

The cheese market is unsettled and lacks definite direction. Overall, current cheese supplies are reasonably close to in balance. Bulk cheese demand is lighter this week as processors and packagers closed for the Labor Day holiday. Many processors and packagers used overtime in recent weeks to build extra inventory ahead of the holiday shutdown. Demand is typically moderate to good for process and about average for natural cuts. Shred interest for some producers often remains lighter than expected. Fairly good interest remains for current barrels as well as many non-cheddar American types. Aged cheddar interest remains sluggish though some traders expect overall fall interest may be lighter due to the price needed. Current mozzarella is about in balance. Weather/hurricane related problems in the Southeast, a cool summer, and higher producer milk prices have combined to keep milk and current cheese supplies from being as tight as usually expected for early September.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.7275-2.0000
Brick And/Or Muenster 5#	:	1.9800-2.2300
Cheddar 40# Block	:	1.8800-2.2650
Monterey Jack 10#	:	1.8600-2.2650
Blue 5#	:	2.3250-2.7000
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.8725-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.4475-2.9500

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS  
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

BUTTER : CHEESE			BUTTER : CHEESE		
09/06/04	49,303	: 135,795	08/30/04	52,348	: 140,062
09/01/04	51,130	: 138,355	08/01/04	56,496	: 151,542
CHANGE	-1,827	: -2,560	CHANGE	-4,148	: -11,480
% CHANGE	-4	: -2	% CHANGE	-7	: -8

## WEST

Cheese prices faltered again this week at the cash CME market after showing some strength last week. These gyrations have been common for the past few weeks. This type of a market makes it hard for buyers to know when to time purchases. Often they are hesitant until they are forced to make a purchase because they don't want to get caught buying and then see the market plummet. Some cheese plants are looking for added milk supplies. Receipts are declining in the Southwest because of the current heat spell along with higher humidity. Many are saying last week was the worst of the summer. Swiss sales activity is improving for fall needs. Likewise, mozzarella demand has improved as family patterns move into the fall school cycle. U.S. total cheese production in July stands at 707.6 million pounds, down 1.5% (10.7 million pounds) from last year. Cumulative total cheese output for the first seven months of the year is 5.15 billion pounds, up 3.4% (+169.5 million pounds) from the same period last year. This works out to an additional 5.7 million pounds of cheese produced every week this year. The Western region produced 41% of the total cheese in the U.S. in July. Swiss production in July totals 23.0 million pounds, up 3.9% from July 2003.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND  
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.7000-1.9600
Cheddar 40# Block	:	1.6925-2.0450
Cheddar 10# Cuts	:	1.8725-2.0925
Monterey Jack 10#	:	1.8825-2.0425
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.8000

## FOREIGN

Prices are steady to lower and the market tone is little changed. Demand is slowly starting to improve as shopping habits get back to the more typical school-year patterns. High prices continue meet resistance at the retail level and food service orders are steady. Reports indicate that the EU cheese market is, and has been, relatively stable through the early summer months.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK  
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-4.2500	: 1.9375-3.4275*
Gorgonzola	: 3.6900-5.9400	: 2.4425-2.4900*
Parmesan (Italy)	: TFEWR	: 3.3475-3.4575*
Romano (Italy)	: 2.1000-3.1500	: -0-
Provolone (Italy)	: 3.4400-5.5500	: 1.9500-2.1725*
Romano (Cows Milk)	: -0-	: 3.1325-5.3075*
Sardo Romano (Argentina)	: 2.8500-3.2900	: -0-
Reggianito (Argentina)	: 2.6900-3.2900	: -0-
Jarlsberg-(Brand)	: 2.9500-4.0900	: -0-
Swiss Cuts Switzerland	: -0-	: 2.4500-2.6500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.4500	: -0-
Gouda, Large	: TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

\* = Price change.

## FLUID MILK AND CREAM

## E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	NA	0	182R	0	235	0
SOUTHEAST STATES	NA	0	40	0	40	0

The following are the August 2004 Class and component prices under the Federal Milk Order pricing system: Class II \$13.13 (down \$0.87 from July), Class III \$14.04 (down \$0.81), and Class IV \$12.46 (down \$0.85). The following are the product price averages used in computing Class prices: butter \$1.6101, NDM \$0.8584, cheese \$1.5167, and dry whey \$0.2246. The Class II butterfat price is \$1.8011 and the Class III/IV butterfat price is \$1.7941. Hurricane Frances is the big topic of discussion this week. For the second time in less than month, Florida suffered the effects of hurricanes. Residents and businesses were again without electricity for most of the holiday weekend and many areas still had no power at midweek. Contacts report that the heavy rains and high winds made it impossible for trucks to reach farms or processing plants. If trucks could get through, many plants could not unload or process the milk. Contacts know that milk was lost, but it will be quite a while before actual volumes are known. Florida's milk imports this week are not available at this time but will be reported in subsequent reports when determined. Last week's total was revised as loads were turned around before getting to Florida because the plants were shut down. Currently, Florida's milk handlers are trying to get as much milk as they can to get plants back on line and normal operations. Plants that had been down for three or four days and were expecting to get their milk back quickly are finding that locating trucks and truckers is a major issue. Elsewhere, the milk flow is about steady and milk supplies are reported as heavy. The effects of Frances are now being felt in other Southeastern states. Heavy rains are falling in Georgia, Alabama, and Tennessee, which is causing some flooding and power outages. In the Northeast, the Labor Day weekend was not too stressful, but the milk earmarked for Florida had to be handled locally. Bottled milk sales are improving as school lunch pipelines are being filled in more areas. There were instances where Florida bottlers were trying to get milk packaged at plants in other states and shipped into Florida. Most processors were eager to help out, but trucking was a major stumbling block. Contacts feel that it will take longer to get back to normal after this storm since many areas were not yet totally recovered from Hurricane Charley. The condensed skim market is little changed. Demand is slow and supplies are more than ample. Some handlers comment that have several loads "looking for a home" and may have to ship them to Midwestern butter plants. Ice cream production is getting back to pre-holiday levels as many were down for an extra day or two because of the holiday. Class II spot demand is fair and prices are up sharply. Multiples are generally lower, but last week's CME butter average increased more than fifteen cents. Churning activity is reported as moderate to heavy.

## FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

## SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.1166-2.3876
DELIVERED EQUIVALENT ATLANTA	-	2.1505-2.4045 M 2.2013-2.3029
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.2013-2.3368

## PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .9150-.9600
NORTHEAST- CLASS III - SPOT PRICES	- 1.0000-1.0500

## M I D W E S T

Class I demand was very good, though schedules were irregular around the holiday weekend. Some operations tried to minimize manufacturing over the weekend by filling silos. Remaining schools reopened after the holiday so bottlers and handlers are continuing the process of finding out just how much school milk is actually needed. Retail promotions were also underway on fluid in some markets. Milk supplies are very tight, even over the holiday weekend. A continuing issue for some handlers and would be sellers is finding a truck/trucker available to make the delivery. Hurricane Frances and related weather

impacted fluid demand and interstate shipments to the area. Handlers stopped milk shipments for about 5 days starting last week through the weekend. Florida bottlers were pulling very heavy from regional suppliers after the holiday. Cottage cheese, dips, and sour cream production were lighter. Ice cream production continues to slow seasonally. Cream interest was lighter over the holiday weekend but picked up by midweek. Manufacturing milk demand remains strong and quickly absorbed when available. Current manufacturing milk demand continues to exceed the offerings. Reported manufacturing spot prices still range around \$1.75 - 2.50, net fob. Some operations continue to note milk receipts above year ago levels. Several days of above average seasonal temperatures did cause milk receipts to decline at most operations but the affect was generally not as pronounced as may occur in summer because of the cool nighttime temperatures. Fat and protein tests are often higher than usual for September. According to a leading Wisconsin agronomist, corn in the state not dented by Labor Day was unlikely to mature before the first average killing frost. Good quality late cutting forage was being put up though producers were gambling with the usual early September "alfalfa cutting moratorium" until the first killing frost, in order to help cover needs. Recent estimates place the unusually early August frost damage at around \$190 million in Minnesota.

## WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	SEP 2 - SEP 8	PREVIOUS YEAR
SLAUGHTER COWS	\$ 53.00- 57.50	\$ 47.00- 51.50
REPLACEMENT HEIFER CALVES	\$400.00-660.00	\$375.00-500.00

## SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	SEP 2 - SEP 8	PREVIOUS YEAR
SLAUGHTER COWS	\$ 53.00- 58.00	\$ 49.00- 55.00

## W E S T

Milk output across most of CALIFORNIA took a hit because of a round of hot and humid temperatures. The impacts on the milking herds were not immediate and processors were assessing how much milk was declining. The humidity is a major factor in the decline because it makes heat abatement measures less effective. Milk processing problems were limited over the holiday weekend. Many cheese producers want additional milk and were taking any extra offers. Bottled milk orders are returning in earnest as most schools in the state are in session and due to good retail movements. NEW MEXICO milk output is trending slightly higher as weather conditions are more favorable. There were some plant issues over the holiday weekend that caused problems with milk handling. Also, shipments to the Southeast were disrupted by the hurricane/tropical storm Frances, but orders afterwards returned. The CREAM market is steady to higher in price as the butter price at the CME moves higher. The AA price was \$1.7450 on Wednesday, September 8, moving 4.5 cents higher from a week ago. Cream moved surprisingly well over the holiday weekend with little distress noted. The market remained balanced at midweek. There has been a demand shift as ice cream production declines and cream cheese picks up. Churning is active ahead of future orders. Cream multiples range from 119 to 134, FOB and vary depending on class usage and basing point. Weather conditions are turning more fall-like in the PACIFIC NORTHWEST. A number of milk producers started to cut corn silage late last week. The crop is maturing about two weeks earlier than normal. Field conditions are looking good at this time for an efficient harvest. Hay quality remains a concern for many producers. Some are hoping to still pick up some dairy quality hay from the final cutting in their area. Some believe that forage quality may limit production per cow this fall and winter. Pasture conditions are improving quite rapidly in coastal areas and are yielding some good quality feed. Heifer prices at a monthly sale in the region are firm with demand strong and the numbers sold are lighter than last month and last year. The price range was \$1900-2150. There were no problems processing milk over the holiday weekend. Some plants in the region are suggesting that milk may be increasing a bit seasonally. Temperatures in the milk producing areas of UTAH and IDAHO are seasonal in the 80's. Output is about steady. Producing plants are starting to see fall demand patterns start to develop. Plants had no stress in processing milk over the holiday weekend. Average heifer prices at two sales in the region were between \$1650-1700. These prices have drifted about \$50 lower over the past month. The high price remains over \$2000.

**NDM, BUTTERMILK & WHOLE MILK**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**NONFAT DRY MILK - CENTRAL AND EAST**

**CENTRAL:** Prices are unchanged to lower on a weak market. Despite efforts to divert fluid milk supplies away from NDM dryers, plants are reporting heavier than anticipated production for this time of year. Inventories are building, especially as aged CCC exchange NDM continues to be traded at significant discounts to the current market. NDM from the West is also competitive with Central region market prices. Demand is light with some renewed interest noted on high heat as bakeries begin preparations for the holiday season.

**EAST:** Eastern prices are little changed. Even at the low prices, producers are having difficulty finding willing buyers. Demand is most often sated with NDM that came back on the market via the various government programs. Production levels are heavier as more surplus milk was and is available. The long holiday weekend, coupled with the effects of Hurricane Frances, scrambled the milk processing picture this week. Milk earmarked for Class I needs in the Southeast was not able to get to its destination and had to find other outlets or be returned to the shipper. This lack of demand for Grade A milk pushed heavier volumes into Northeastern manufacturing plants. At midweek, "things" were not back to normal in the Southeast and the call for milk was returning. This pulled milk back out of some Northeastern manufacturing plants. Skim drying schedules ranged from lighter to heavy. Stocks are heavy at most producers' locations.

**DAIRY PRODUCTS:** Production of human food, nonfat dry milk during July 2004 totaled 134.4 million pounds, up 5.1% from July 2003 but 6.5% below June 2004. Month ending stocks, at 147.7 million pounds, are 72.2% above a year ago and 1.2% above than last month.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUMHEAT: .8000 - .9400 MOSTLY: .8100 - .8400  
 HIGHHEAT: .9225 - 1.0300

**NONFAT DRY MILK - WEST**

Prices are steady to higher for Western low/medium heat NDM. Mainly, the price changes are from formula adjustments. The changes actually are running against the weaker trend of the market. Buyers are able to find multiple sources for powder purchases as they search out lower prices. Older powder is available at prices below the bottom of the range. Production levels remain active in the region to process milk supplies. Usage in cheese production is showing limited improvements from recent weeks. Direct exporting is active with pricing levels variable within the range. Overall, inventories are in excess of trade needs. During the week of August 30 - September 3, 1,151,362 net pounds of support sales were offered to the CCC program. High heat prices dropped on the top end of the range. The narrowing was expected as sales at those levels declined with the pressure of additional offerings. Demand is variable with trends higher from candy makers. Stocks are light to moderate. U.S. NDM production in July totaled 134.4 million pounds, up 5.1% from last year but 6.5% lower than June. Cumulative yearly production through July totals 917.7 million pounds, 10.5% (108.0 million pounds) lower than the same period in 2003. July production in the Western region totaled 98.7 million pounds, down 1.2% from last year. California produced 66.0 million pounds, up 17.9% from July 2003. U.S. manufacturers' stocks at the end of July were reported at 147.7 million pounds, up 72.2% from last year and 1.2% more than last month.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUMHEAT: .7950 - .8850 MOSTLY: .8150 - .8750  
 HIGHHEAT: .8500 - .9125

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
September 3	\$.8442	14,462,562	1,602,118
August 27	\$.8400	15,305,748	3,092,347

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

**DRY BUTTERMILK - CENTRAL**

Prices are lower on a weak market. Excess cream from bottling plants continues to be available for churn activity. Increased butter production is encouraging condensed buttermilk output. Less than optimal temperatures this summer for ice cream consumption are reducing ice cream production and interest in condensed buttermilk. As a result, more condensed buttermilk is moving into dryers. Demand for dry buttermilk is lackluster due in part to the availability of NDM as a substitute. Producers holding aged supplies nearing the 6 month mark are offering and selling supplies at a discount. Production of dry buttermilk during July 2004 totaled 3.8 million pounds, 60.3% more than July 2003 but 13.9% below June 2004. Month ending stocks, at 5.4 million pounds, are 126.4% above a year ago and 18.1% higher than June 2004.

F.O.B. CENTRAL: .9500 - 1.0100

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

Prices are steady and the market tone is unchanged. Production levels are slightly higher as more butter was made during the Labor Day weekend. Producer stocks range from light to adequate for the current, slow to fair demand. With more milk and cream available this past holiday weekend, churning activity was up accordingly. Demand is mostly contractual. Northeastern prices remain nominal and include resale loads. Dry buttermilk production during July 2004 totaled 3.8 million pounds, up 60.3% from last July but 13.9% less than June 2004. Month ending stocks, at 5.4 million pounds, are more than double last year and 18.1% more than a month ago.

F.O.B. NORTHEAST: 1.0000 - 1.0900  
 DELVD SOUTHEAST: 1.0100 - 1.0700

**DRY BUTTERMILK - WEST**

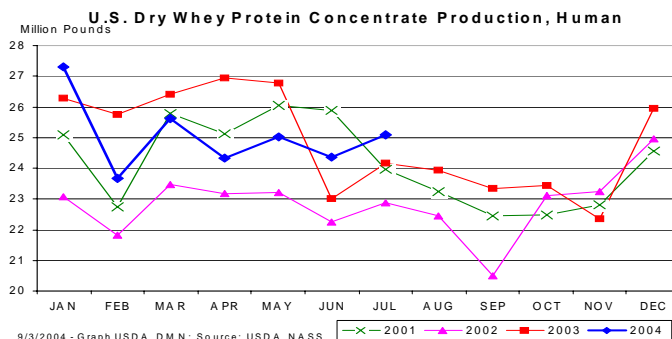
Western dry buttermilk prices are holding mostly steady in limited trading. There have been additional loads offered on the spot market and also to buyers who are behind on orders. Many contacts feel the buttermilk market is overstated at the present levels and trading is not active enough to change prices. Demand is limited from ice cream accounts. Seasonal bakery account action is expected to move higher. Production levels are often trending higher as condensed buttermilk orders slow and churning activities increase. Stocks are light to moderate for current interest. U.S. dry buttermilk production in July totaled 3.8 million pounds, up 60.3% from last year but 13.9% lower than June. Stocks at the end of July were reported at 5.4 million pounds, more than double the level of a year ago and 18.1% more than last month.

F.O.B. WEST: 1.0300 - 1.0750 MOSTLY: 1.0300 - 1.0500

**DRY WHOLE MILK - NATIONAL**

Prices are lower and nominal. The market tone is also steady. Production is lighter as most Eastern dryers are busy making NDM. Plant stocks are light, but sufficient to cover the slow to fair demand. Dry whole milk production during July 2004 totaled 2.4 million pounds, down 31.2% from last July and 0.6% less than June 2004.

F.O.B. PRODUCING PLANT: 1.2400 - 1.3400



**WHEY, CASEIN & EVAPORATED MILK**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**DRY WHEY – CENTRAL**

Prices are unchanged to higher on a steady market. Trade activity remains very light. Some manufacturers are holding additional supplies with confidence as demand from seasonal candy, bakery and blending operations is anticipated to increase. Production is mixed. While some plants are able to increase fluid milk intakes in response to improved cheese demand, others are being shorted due to school year demands from bottling plants. Condensed whey is available for the light interest. Resale trades are reported both above and below the average. Production of human food, dry whey during July 2004 totaled 78.0 million pounds, 9.7% less than July 2003 and 1.6% below June 2004. Month ending stocks, at 36.9 million pounds, are 13.8% below a year ago but 2.0% more than June 2004.

F.O.B. CENTRAL: .2100 - .2250 MOSTLY: .2100 - .2200

**DRY WHEY - NORTHEAST AND SOUTHEAST**

Prices are again mostly steady. The market tone is little changed from the past month or two. Most Eastern producers do not have enough dry whey to meet their needs and have often cut contracts. Spot demand is most often filled in the resale market. Demand, though still lackluster, is showing some signs of improvement. After two weeks of no price changes, buyers are making more inquiries. They are not necessarily buying, but they are shopping. Production levels are lighter in the East and local producers report a continued inability to locate steady sources of condensed whey to supplement their own supply. Production of human food, dry whey during July 2004 totaled 78.0 million pounds, 9.7% less than July 2003 and 1.6% less than June 2004. Month ending stocks, at 36.9 million pounds, are 13.8% below last year but 2.0% more than a month ago. Production of animal feed, dry whey during July totaled 6.0 million pounds, 17.7% less than a year ago and 20.9% below June 2004.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2175 - .2600  
DELVD SOUTHEAST: .2450 - .2550

**DRY WHEY - WEST**

The price range for Western whey powder narrowed, while the mostly showed some fractional strength. The inventory balance is improving as both export and domestic sales activity is picking up. A tender for the Far East is due out at the end of this week. Contacts are not sure where the likely source for this powder will be. The market has a better balanced feel to it. U.S. edible whey production in July totals 78.0 million pounds, down 9.7% from last year. Stocks at the end of July total 36.9 million pounds down 13.8% from July 2003. Cumulative total dry whey production for the first seven months of the year has reached 618.1 million pounds, down 5.8% (38.4 million pounds) from last year. July output in the Western region totals 23.2 million pounds, down 1.3% from July 2003.

NONHYGROSCOPIC: .2000 - .2450 MOSTLY: .2050 - .2250

**ANIMAL FEED WHEY - CENTRAL**

Prices are unchanged on a steady market. Trade activity is light. Competitively priced permeate and off grade lactose are deterring milk replacer demand at some locations. Production of animal, dry whey during July 2004 totaled 6.0 million pounds, 17.7% less than July 2003 and 20.9% below June 2004. Month ending stocks, at 5.2 million pounds, are nearly 74.1% higher than year ago but 7.1% less than June 2004.

F.O.B. CENTRAL: .1750 - .1950  
MILK REPLACER:

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices are mostly unchanged on a steady market. Trade activity continues very light with most movement occurring on a contractual basis. Some resale trades are noted at a discount to the market. Production is steady and inventories are generally being reported as in balance. Production of HUMAN FOOD WPC during July 2004 totaled 25.1 million pounds, up 3.8% from July 2003 and 3.0% above June 2004. Manufacturers' end-of-month stocks totaled 21.8 million pounds, 17.0% lower than a year ago but 14.3% above last month. Production of ANIMAL FEED WPC during July 2004 totaled 3.5 million pounds, up 6.2% from July 2003 but 0.5% below June 2004. Manufacturers' end-of-month stocks totaled 2.4 million pounds, 55.2% above last year and 12.8% higher than last month.

F.O.B. EXTRA GRADE 34% PROTEIN: .5800 - .6325 MOSTLY: .6025 - .6225

**LACTOSE - CENTRAL AND WEST**

Prices are unchanged to lower on a weak market. Producer offering prices are reduced. Buyer interest is light with some renewed demand noted from seasonal candy and bakery operations for the upcoming holidays. Fourth quarter negotiations are slow to commence. Export movement is mostly contractual with price resistance noted on spot offerings. Production is steady. Inventories are balanced to heavier than desired. Lactose production during July 2004 totaled 55.7 million pounds, up 5.4% from July 2003 but 2.0% lower than June 2004. Month ending stocks, at 62.3 million pounds, are 62.9% higher than a year ago but 0.5% below last month.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .1700 - .2700 MOSTLY: .1900 - .2200

**CASEIN – NATIONAL**

Casein markets and prices remain firm. The supply situation has changed very little in recent weeks. Production in Oceania is just getting underway for the season. Many European producers are trying to extend their production season by procuring additional milk volumes. At this point, most suppliers are trying to meet contractual commitments with their regular and ongoing customers with virtually no product available for spot or new buyer interest. Under invitation #025, 2,000,018 pounds of government owned non fat dry milk was sold back to the trade for the production of casein/caseinate at \$0.4310 per pound. The total sellback of powder for this purpose since June 2002 is 27.3 million pounds and prices have ranged from \$0.2200 - .4310 per pound. On September 2, CCC issued invitation #026 to sell another 2 million pounds of powder for this purpose. Bids were due on September 7 with public notice of the results on September 9.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 2.7500 - 2.9500  
ACID: 2.8000 - 3.0000

**EVAPORATED MILK – NATIONAL**

Prices and the market tone are unchanged. Production levels are steady to lighter, but surplus milk volumes are heavier. Hurricane Frances wreaked havoc on Florida this past weekend and some retailers want to get an extra load or two from producers to handle emergency needs. However, hauling is an issue this week. The holiday weekend and Florida-based truckers wanting to stay at home with family disrupted schedules. Elsewhere, demand is steady to occasionally improved as some retailers are stocking up for fall needs. Canned evaporated milk production during July totaled 48.1 million pounds, 12.9% less than July 2003 and 8.9% less than June 2004. Month ending stocks, at 82.0 million pounds, are 5.2% less than a year ago but 20.3% above last month.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$22.00 - 30.00  
Excluding promotional and other sales allowances. Included new price announcements.

## JULY 2004 DAIRY PRODUCTS HIGHLIGHTS

**BUTTER** production was 91.5 million pounds in July, 14.3 percent above July 2003 but 5.6 percent below June 2004. **AMERICAN TYPE CHEESE** production totaled 303.3 million pounds, 1.1 percent below July 2003 and 2.6 percent below June 2004. **TOTAL CHEESE** output (excluding cottage cheese) was 707.6 million pounds, 1.5 percent below July 2003 and 1.4 percent below June 2004. **NONFAT DRY MILK** production, for human food, totaled 134.4 million pounds, 5.1 percent above July 2003 but 6.5 percent below June 2004. **DRY WHEY** production, for human food, was 78.0 million pounds, 9.7 percent below July 2003 and 1.6 percent below June 2004. **ICE CREAM (hard)** production totaled 79.6 million gallons, 5.8 percent below July 2003 and 7.1 percent below June 2004.

PRODUCTION OF DAIRY PRODUCTS									
PRODUCT	JUL 2004	PERCENT CHANGE FROM:			PRODUCT	JUL 2004	PERCENT CHANGE FROM:		
	1,000 LBS.	JUL 2003	JUN 2004	YEAR TO DATE 1/		1,000 LBS.	JUL 2003	JUN 2004	YEAR TO DATE 1/
BUTTER	91,525	14.3	-5.6	-9.1	SOUR CREAM	71,013	-7.2	-11.6	
CHEESE					YOGURT (PLAIN AND FLAVORED)	205,753	7.8	-10.0	---
AMERICAN TYPES 2/	303,273	-1.1	-2.6	2.4	CONDENSED WHEY, SOLIDS CONTENT 6/				
CHEDDAR	218,886	-4.8	-6.6	1.3	SWEET-TYPE, HUMAN FOOD	7,590	-21.2	-2.2	---
SWISS	23,031	3.9	-2.2	---	DRY WHEY PRODUCTS				
BRICK & MUENSTER	6,481	-13.9	1.2	---	DRY WHEY, HUMAN FOOD	77,961	-9.7	-1.6	---
CREAM & NEUFCHATEL	54,195	0.3	7.1	---	DRY WHEY, ANIMAL FEED	6,032	-17.7	-20.9	---
HISPANIC	10,972	-4.4	-0.8	---	DRY WHEY, TOTAL	83,993	-10.4	-3.3	-5.8
MOZZARELLA	227,779	-3.7	-3.0	4.2	REDUCED LACTOSE AND MINERALS				
OTHER ITALIAN TYPES	60,274	5.2	6.2	4.5	HUMAN FOOD	3,833	-12.8	31.2	---
TOTAL ITALIAN TYPES	288,053	-2.0	-1.2	4.3	ANIMAL FEED 7/	3,653	9.8	-4.8	---
ALL OTHER TYPES	21,586	-4.3	-4.7	---	LACTOSE, HUMAN FOOD & ANIMAL FEED	55,749	5.4	-2.0	---
TOTAL	707,591	-1.5	-1.4	3.4	WHEY PROTEIN CONCENTRATE				
COTTAGE CHEESE, CURD 3/	36,902	-8.2	-4.3	---	HUMAN FOOD	25,075	3.8	3.0	---
COTTAGE CHEESE, CREAM 4/	31,745	-8.7	0.2	-2.2	ANIMAL FEED	3,541	6.2	-0.5	---
COTTAGE CHEESE, LOWFAT 5/	31,186	-5.2	-8.6	4.0					
CANNED EVAPORATED & CONDENSED					FROZEN PRODUCTS	1,000 GALLONS	PERCENT CHANGE FROM:		
WHOLE MILK	48,108	-12.9	-8.9	---	ICE CREAM (HARD)	79,629	-5.8	-7.1	-5.3
DRY WHOLE MILK	2,380	-31.2	-0.6	---	ICE CREAM, LOWFAT (HARD)	10,341	-8.1	-7.7	---
NONFAT DRY MILK, HUMAN FOOD	134,436	5.1	-6.5	-10.5	ICE CREAM, LOWFAT (SOFT)	31,147	13.2	-3.9	---
DRY SKIM MILK, ANIMAL FEED	489	-41.4	-6.9	---	ICE CREAM, LOWFAT (TOTAL)	41,488	7.0	-4.9	14.8
DRY BUTTERMILK	3,781	60.3	-13.9	---	SHERBET (HARD)	4,705	-6.9	-18.9	0.9
					YOGURT (TOTAL)	5,817	-4.0	-9.4	-5.9

## MANUFACTURERS' STOCKS, END OF MONTH 8/

PRODUCT	JUL 2004	PERCENT OF:		PRODUCT	JUL 2004	PERCENT OF:	
	1,000 LBS.	JUL 2003	JUN 2004		1,000 LBS.	JUL 2003	JUN 2004
DRY WHEY PRODUCTS				WHEY PROTEIN CONCENTRATE			
DRY WHEY, HUMAN FOOD	36,870	-13.8	2.0	HUMAN FOOD	21,795	-17.0	14.3
DRY WHEY, ANIMAL FEED	5,178	74.1	-7.1	ANIMAL FEED	2,425	55.2	12.8
REDUCED LACTOSE & MINERALS—HUMAN & ANIMAL 9/	7,164	-28.3	13.1	CANNED EVAPORATED & CONDENSED WHOLE MILK	82,011	-5.2	20.3
LACTOSE, HUMAN FOOD & ANIMAL FEED	62,310	62.9	-0.5	NONFAT DRY MILK FOR HUMAN FOOD	147,702	72.2	1.2
DRY BUTTERMILK, TOTAL	5,382	126.4	18.1				

1/ 2004 cumulative as percent change of 2003 cumulative. 2/ Whole milk cheese, including Cheddar, colby, monterey and jack. 3/ Mostly used for processing into cream or lowfat cottage cheese. 4/ Fat content 4 percent or more. 5/ Fat content less than 4 percent. 6/ Final marketable product only. Does not include quantity used or shipped to another plant for further processing into dry whey or modified whey products. 7/ Not shown when fewer than 3 plants reported or individual plant operations could be disclosed. 8/ Stocks held by manufacturers at all points and in transit. 9/ Reduced lactose and minerals stocks combined to avoid disclosure of individual operations.

SOURCE: "Dairy Products," Da 2-6 (9-04), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

## FEDERAL MILK ORDER CLASS AND COMPONENT PRICES, AUGUST

**Component Price Information:** Under the Federal milk order pricing system, the butterfat price for August 2004 is \$1.7941 per pound. Thus, the Class II butterfat price is \$1.8011. The protein and other solids prices for August are \$2.4663 and \$0.0676 per pound, respectively. These component prices set the Class III skim milk price at \$8.04 per cwt. The August Class IV skim milk price is \$6.40 which is derived from the nonfat solids price of \$0.7112 per pound.

**Product Price Averages:** The product price averages for August are; butter \$1.6101, nonfat dry milk \$0.8584, cheese \$1.5167, and dry whey \$0.2246.

FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT 1/ 2/						
FEDERAL MILK ORDER MARKETING AREAS 3/	ORDER NUMBER	AUGUST 2004				SEPTEMBER 2004
		CLASS I	CLASS II	CLASS III	CLASS IV	CLASS I
		DOLLARS PER 100 POUNDS				
Northeast (Boston) 4/	001	17.87	13.13	14.04	12.46	17.19
Appalachian (Charlotte) 5/	005	17.72	13.13	14.04	12.46	17.04
Southeast (Atlanta) 6/	007	17.72	13.13	14.04	12.46	17.04
Florida (Tampa) 7/	006	18.62	13.13	14.04	12.46	17.94
Midwest (Cleveland) 8/	033	16.62	13.13	14.04	12.46	15.94
Upper Midwest (Chicago) 9/	030	16.42	13.13	14.04	12.46	15.74
Central (Kansas City) 10/	032	16.62	13.13	14.04	12.46	15.94
Southwest (Dallas) 11/	126	17.62	13.13	14.04	12.46	16.94
Arizona-Las Vegas (Phoenix) 12/	131	16.97	13.13	14.04	12.46	16.29
Pacific Northwest (Seattle) 13/	124	16.52	13.13	14.04	12.46	15.84
All-Market Average	---	17.27	13.13	14.04	12.46	16.59

1/ To convert the Class I price per 100 pounds to the Class I price per gallon, divide 11.63--the approximate number of gallons in 100 pounds of milk.

2/ Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table.

3/ Names in parentheses are the major city in the principal pricing point of the market.

4/ Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25; and Washington, DC, minus \$0.25.

5/ Class I prices at other cities are: Knoxville, minus \$0.30 and Louisville, minus \$0.90.

6/ Class I prices at other cities are: New Orleans; plus \$0.50; Memphis, minus \$0.30; Nashville, minus \$0.50; and Springfield, Mo., minus \$0.90.

7/ Class I prices at other cities are: Orlando, same; Miami, plus \$0.30; and Jacksonville, minus \$0.30.

8/ Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20.

9/ Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10.

10/ Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver, plus \$0.55.

11/ Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75.

12/ Class I price at Las Vegas is minus \$0.35.

13/ Class I prices at other cities are: Portland, same; and Spokane, same.

**TOTAL COW SLAUGHTER UNDER FEDERAL INSPECTION, UNITED STATES, 2002 TO 2004  
(THOUSAND HEAD)**

2002			2003			2004		
Week Ending	All Cows	Dairy Cows	Week Ending	All Cows	Dairy Cows	Week Ending	All Cows	Dairy Cows
Jan 5	101.2	47.4	Jan 4	97.6	48.1	Jan 3	81.6	35.3
12	129.3	59.5	11	131.5	63.7	10	104.0	48.8
19	120.6	56.1	18	130.8	63.8	17	116.5	56.9
26	107.3	51.2	25	119.7	59.3	24	113.0	55.3
Feb 2	103.0	50.4	Feb 1	114.3	55.0	31	96.9	50.3
9	102.3	49.7	8	118.9	58.4	Feb 7	95.8	50.1
16	104.9	51.4	15	112.8	57.8	14	99.3	50.8
23	104.8	49.3	22	109.6	53.5	21	99.6	52.6
Mar 2	97.2	48.0	Mar 1	108.7	56.9	28	100.0	52.4
9	98.1	49.7	8	117.4	59.9	Mar 6	97.3	50.8
16	107.5	48.4	15	121.3	61.1	13	94.3	45.9
23	104.2	48.6	22	121.9	62.9	20	95.0	48.6
30	100.7	46.4	29	108.6	54.1	27	96.6	47.2
Apr 6	99.2	47.8	Apr 5	111.4	56.4	Apr 3	91.8	43.2
13	104.6	48.0	12	109.1	53.8	10	86.8	39.3
20	103.7	48.1	19	113.2	54.1	17	89.1	42.0
27	101.7	46.1	26	112.3	53.8	24	96.0	41.8
May 4	98.4	46.3	May 3	112.0	53.5	May 1	95.0	40.0
11	98.9	44.4	10	112.8	52.7	8	94.1	39.6
18	103.9	44.4	17	112.2	51.7	15	96.9	42.3
25	108.7	47.2	24	112.7	50.3	22	97.5	40.9
Jun 1	91.6	39.2	31	101.5	44.1	29	103.3	43.4
8	108.1	46.1	Jun 7	123.0	54.5	Jun 5	83.0	37.0
15	104.4	46.2	14	113.0	50.8	12	93.4	41.6
22	109.7	46.6	21	105.9	47.0	19	97.1	41.0
29	110.6	48.1	28	104.7	46.7	26	92.8	40.7
Jul 6	87.9	39.1	Jul 5	88.2	41.3	Jul 3	90.2	39.5
13	107.5	49.7	12	110.1	52.3	10	72.3	34.5
20	109.2	49.6	19	113.2	49.9	17	95.8	42.8
27	105.7	47.6	26	110.3	50.5	24	96.8	47.7
Aug 3	105.7	48.4	Aug 2	110.7	51.0	31	93.3	43.3
10	101.8	46.9	9	113.6	52.7	Aug 7	95.4	45.0
17	106.4	48.7	16	120.0	53.6	14	92.3	45.9
24	110.6	50.2	23	119.3	52.5	21		
31	113.8	53.9	30	114.5	53.3	28		
Sep 7	99.8	47.8	Sep 6	100.4	49.9	Sep 4		
14	110.3	51.8	13	117.6	55.8	11		
21	112.2	53.7	20	121.1	58.6	18		
28	115.1	54.6	27	124.5	61.9	25		
Oct 5	114.6	52.5	Oct 4	119.7	59.5	Oct 2		
12	115.3	53.3	11	113.5	57.1	9		
19	116.7	51.8	18	121.6	61.2	16		
26	123.3	54.1	25	133.4	64.4	23		
Nov 2	125.7	56.2	Nov 1	130.6	60.2	30		
9	121.7	57.1	8	125.3	59.3	Nov 6		
16	124.3	55.7	15	127.4	59.7	13		
23	125.4	56.0	22	131.7	62.0	20		
30	101.1	46.4	29	96.2	45.3	27		
Dec 7	122.2	58.3	Dec 6	126.7	61.1	Dec 4		
14	124.4	58.4	13	126.7	59.8	11		
21	123.1	58.0	20	121.2	58.4	18		
28	83.6	38.9	27	80.0	37.5	25		

**SOURCE:** The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, the Food Safety and Inspection Service and the National Agricultural Statistics Service, all of USDA.

### MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS AND CALIFORNIA, JUNE 2004

In June 2004, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$18.25 per cwt., \$.76 less than the figure for the previous month. The component tests of producer milk in June 2004 were: butterfat, 3.56%; protein, 2.96%; and other solids, 5.71%. On an individual reporting area basis, mailbox prices decreased in all reporting areas except five, and ranged from \$21.69 in Florida to \$16.47 in New Mexico. In June 2003, the Federal milk order all-area average mailbox price was \$10.84, \$.74 lower.

Reporting Area	Mailbox Milk Price <u>2/</u>		
	June 2003	May 2004	June 2004
	Dollars per hundredweight		
Northeast Federal Milk Order	11.07	19.28	19.08
Appalachian States <u>3/</u>	11.33	19.02	19.31
Southeast States <u>4/</u>	11.86	19.79	19.91
Southern Missouri <u>5/</u>	10.82	18.45	18.61
Florida	13.31	20.98	21.69
Ohio	10.76	18.90	18.26
Indiana	---	19.14	18.68
Michigan	10.54	18.28	17.85
Wisconsin	10.90	20.39	18.04
Minnesota	10.89	19.80	17.76
Iowa	10.66	19.29	17.56
Illinois	10.82	19.48	18.28
Corn Belt States <u>6/</u>	10.53	17.40	16.81
Western Texas <u>7/</u>	10.45	18.16	17.69
New Mexico	9.52	16.85	16.47
Northwest States <u>8/</u>	10.28	16.59	17.75
All Federal Order Areas <u>9/</u>	10.84	19.01	18.25
California <u>10/</u>	10.13	17.57	NA

NA=Not Available.

1/ Information is shown for those areas for which prices are reported for at least 75% of the milk marketed under Federal milk orders. The price shown is the weighted average of the prices reported for all orders that received milk from the area. As applicable, includes milk not-pooled due to disadvantageous intra-order price relationships. 2/ Net pay price received by dairy farmers for milk. Includes all payments received for milk sold and all costs associated with marketing the milk. Price is a weighted average for the reporting area and is reported at the average butterfat test. Mailbox price does not include any Milk Income Loss Contract (MILC) payments. Mailbox price does include, for the most part, the \$0.05 per cwt. assessment under the Cooperatives Working Together (CWT) program. 3/ Includes Kentucky, North Carolina, South Carolina, Tennessee, and Virginia. 4/ Includes Alabama, Arkansas, Georgia, Louisiana, and Mississippi. 5/ The counties of Vernon, Cedar, Polk, Dallas, Laclede, Texas, Dent, Crawford, Washington, St. Francois, and Perry and all those to the south of these. 6/ Includes Kansas, Nebraska and the Missouri counties to the north of those listed in 5/. 7/ All counties to the west of Fanin, Hunt, Van Zandt, Henderson, Anderson, Houston, Cherokee, Nacogdoches, and Shelby. 8/ Includes Oregon and Washington. 9/ Weighted average of the information for all selected reporting areas in Federal milk orders. 10/ Calculated by California Department of Food and Agriculture, and published in "California Dairy Information Bulletin."

## JULY FLUID MILK SALES

During July, about 4.4 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 0.5 percent higher than July 2003. After adjusting for calendar composition, sales in July 2004 were 0.7 percent lower than July 2003. On an individual product basis, after adjusting for calendar composition, sales of reduced fat (2%) milk, low fat (1%) milk, fat-free (skim) milk, and flavored fat-reduced milk increased from July 2003, while sales of whole milk, flavored whole milk, and buttermilk decreased from a year earlier.

**Editor's Note:** Additional data can be found at <http://www.ams.usda.gov/dyfmoms/mib/in-arealesales.htm>

ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS,  
JULY 2004, WITH COMPARISONS <sup>1/</sup>

Product Name	Sales		Change from: <sup>2/</sup>	
	July	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Whole Milk	1,480	10,336	-2.9	-2.7
Flavored Whole Milk	66	508	-21.5	-12.8
Reduced Fat Milk (2%)	1,470	10,119	1.7	-0.4
Low Fat Milk (1%)	495	3,580	1.7	-1.7
Fat-Free Milk (Skim)	651	4,516	2.9	-1.9
Flavored Fat-Reduced Milk	154	1,946	22.8	9.4
Buttermilk	44	311	-2.0	-3.5
Total Fluid Milk Products <sup>3/</sup>	4,375	31,416	0.5	-1.1
Total Fluid Milk Products Adjusted <sup>3/ 4/</sup>	4,312	31,197	-0.7	-1.9

<sup>1/</sup> These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which accounts for approximately 92 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 8 percent of sales from the Federal milk order and California data. <sup>2/</sup> Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis; see <sup>4/</sup>. <sup>3/</sup> Total fluid milk products include the products listed plus miscellaneous products and eggnog. <sup>4/</sup> Sales volumes and percent changes have been adjusted for calendar composition; see [http://www.ams.usda.gov/dyfmoms/mib/clndr\\_comp\\_rpt.pdf](http://www.ams.usda.gov/dyfmoms/mib/clndr_comp_rpt.pdf)

PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS  
AND CALIFORNIA, JULY 2004, WITH COMPARISONS <sup>1/</sup>

Area (Order Number)	Sales		Change from: <sup>2/</sup>	
	July	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Northeast (001)	785	5,535	4.2	-0.4
Appalachian (005)	286	2,007	1.3	1.3
Southeast (007)	379	2,725	1.1	-2.4
Florida (006)	236	1,695	4.1	1.0
Mideast (033)	507	3,616	2.0	-1.2
Upper Midwest (030)	346	2,494	0.9	-0.9
Central (032)	369	2,664	1.3	-0.5
Southwest (126)	332	2,416	-0.9	0.1
Arizona-Las Vegas (131)	104	756	-0.7	0.5
Western (135) <sup>3/</sup>	--	---	---	---
Pacific Northwest (124)	174	1,240	0.5	-0.9
California (---)	506	3,664	-3.0	-2.7

<sup>1/</sup> These figures are representative of the consumption of total fluid milk products in the respective area; see <sup>3/</sup> above for the products included. <sup>2/</sup> Percent changes, as well as sales volumes, are shown on an unadjusted basis; see <sup>4/</sup> above.

<sup>3/</sup> Effective April 1, 2004, the Western Federal milk order was terminated.

**SOURCE:** Monthly reports filed by milk processors subject to the provisions of the applicable Federal milk order, AMS, USDA, and *California Dairy Information Bulletin*, California Agricultural Statistics Service and Milk Stabilization Branch.

**CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)**

	FOR THE WEEK OF SEPTEMBER 6 - 10, 2004			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/03	SAME PERIOD LAST YEAR	WEEK ENDING 09/03/04	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	-0-	-0-	-42,309	10,133,351	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	1,313,280	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-42,309	11,446,631	-0-	-0-
<b>CHEESE</b>							
Block	-0-	-0-	-0-	-0-	3,840,106	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	5,406,631	-0-	-0-
Process	-0-	-0-	-0-	-0-	31,838,400	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	41,085,137	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfortified	2,643,321#	-0-	2,643,321	350,315,996#\$	609,838,559	575,032,000	1,176,912,000
Fortified	-0-	-0-	-0-	-119,048	596,814	46,391,000	46,391,000
<b>TOTAL</b>	2,643,321	-0-	2,643,321	350,196,948	610,435,373	621,423,000	1,223,303,000

# Export Donation Program under Invitation 080 to announcement FMP1. The estimated cumulative under Invitation 080 is 103,362,152 \$ Includes export donation deliveries under Invitation 070.

**MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)**

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF SEPTEMBER 6-10, 2004 =	0.6	30.8	COMPARABLE PERIOD IN 2003 =	0.7	58.0
CUMULATIVE SINCE OCTOBER 1, 2003 =	76.1	4,076.3	CUMULATIVE SAME PERIOD LAST YEAR =	763.0	7,513.6
CUMULATIVE JANUARY 1 - SEPT. 10, 2004 =	50.6	2,727.0	COMPARABLE CALENDAR YEAR 2003 =	688.9	6,248.0

\* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

\*\*Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

**CCC ADJUSTED PURCHASES FOR THE WEEK OF SEPTEMBER 6 - 10, 2004 (POUNDS)**

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	2,643,321	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

**CCC ADJUSTED PURCHASES SINCE 10/1/03 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL**

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03	2003/04	2002/03
CENTRAL	-0-	-0-	-0-	32,049,972	8,493,089	24,411,395	2.5	39.5
WEST	-42,309	11,446,631	-0-	9,035,165	337,420,085	548,454,182	96.3	59.4
EAST	-0-	-0-	-0-	-0-	4,283,774	37,569,796	1.2	1.1
<b>TOTAL</b>	-42,309	11,446,631	-0-	41,085,137	350,196,948	610,435,373	100.0	100.0

**NDM SELLBACK TO THE TRADE** The cumulative sellback total for 2004 is **67,347,152 pounds**.

**SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002**

**MANUFACTURING MILK** Average Test 3.67% - \$9.90 per cwt.

**BUTTER** Bulk \$1.0500 per pound; 1# Prints \$1.0850

**CHEESE** 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

**NONFAT DRY MILK** Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

**U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 08/21/04 & Comparable Week 2003**

Regions* (000 HEAD)											U.S. TOTAL		% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1		
2004-Dairy	0.0	0.7	6.8	2.2	17.4	2.8	0.5	1.0	11.9	1.7	45.0	1,521.5	48.3	47.0
2003-Dairy	0.2	0.7	7.4	4.9	19.4	2.8	0.3	1.0	13.6	2.4	52.6	1,827.8	44.1	47.6
2004-All cows	0.0	0.7	8.3	11.3	27.5	14.4	9.9	2.5	13.9	4.5	93.1	3,235.9		
2003-All cows	0.2	0.9	9.7	12.9	31.2	18.6	19.4	3.0	16.3	6.8	119.2	3,843.4		

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, the Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

**CLASS III MILK PRICES, (3.5% BF)**

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87

**FEDERAL MILK ORDER CLASS PRICES FOR 2004 (3.5% BF)**

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	11.85	11.59	11.94	13.64	19.65	21.13	17.95	14.62	13.94			
II	11.67	12.90	14.79	15.21	15.03	14.31	14.00	13.13				
III	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04				
IV	10.97	12.21	14.10	14.57	14.50	13.72	13.31	12.46				

1/ Specific order differentials to be added to this base price are located at [www.ams.usda.gov/dyfmoms/mib/cls\\_prod\\_cmp\\_pr.htm](http://www.ams.usda.gov/dyfmoms/mib/cls_prod_cmp_pr.htm)